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Module Code and Title: LCLM 6001 BA (Hons) Leadership and Management Skills for the Workplace

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Assignment Title: Strategic Management for Business

Gregg's plc – Strategic Direction in a Changing UK Food-to-Go Market

1. Introduction to Greggs plc

Founded in Newcastle upon Tyne in 1939, Greggs plc has transformed from a regional bakery into a dominant nationwide food-to-go operator, managing over 2,700 retail outlets across high streets, drive-thru, petrol forecourts, and travel hubs.

The primary purpose of this report is to evaluate Greggs' strategic position and propose actionable growth pathways. Structurally, the analysis utilizes PESTEL, SWOT, and Porter's Five Forces to examine external macro-environmental pressures and internal capabilities. Ansoff's Matrix evaluates strategic options, leading to a recommended growth strategy assessed through Johnson, Scholes, and Whittington's Suitability, Feasibility, and Acceptability (SAF) framework, supported by stakeholder mapping and an implementation roadmap.

Greggs' core strategic intent centres on delivering unmatched affordability, speed, and accessibility. By serving value-conscious commuters, students, and workers, the business model hinges on low-cost high-volume production, vertically integrated logistics, and daily product freshness. This value-driven positioning aligns directly with its mission to make good food accessible to everyone. In an era marked by persistent living cost pressures, balancing competitive pricing with sustainable margins remains pivotal to sustaining long-term market leadership and achieving its strategic target of scaling beyond 3,000 locations.

3. Evaluation of the Current Market Situation

Macro-Environmental Analysis (PESTEL)

A PESTEL evaluation highlights the key external forces shaping Greggs' operating environment within the UK food-to-go market:

- **Political:** UK trade dynamics and agricultural import regulations influence supply chain predictability and ingredient tariffs. Additionally, statutory workplace mandates—such as real living wage adjustments and National Minimum Wage increases—directly impact retail and logistics labour costs.
- **Economic:** Despite inflationary pressures across energy and raw materials, total group sales grew 6.8% to £2.15 billion, even as underlying pre-tax profits adjusted to £171.9 million due to elevated operating costs. Squeezed real household incomes reinforce demand for Greggs' value-led menu, though cost pressures remain a factor across supply operations.
- **Social:** Evolving dietary trends have heightened demand for plant-based, lower-calorie, and premium health-conscious options. Furthermore, shifting commuting habits have increased evening trade (accounting for 9.4% of company-managed sales) and elevated demand for off-high-street access, including drive-thru and transport hubs.
- **Technological:** Digital enablement is critical in food retail. Mobile loyalty app adoption reached 26.7% of company-managed transactions, supported by delivery platform partnerships (e.g., Just Eat, Deliveroo). Greggs has also invested £287.5 million in capital expenditure, featuring supply chain automation at new national distribution centres in Derby and Kettering.
- **Environmental:** Retailers face rising regulatory and consumer scrutiny surrounding single-use plastics, packaging waste, carbon footprints, and sustainable sourcing across supply networks.
- **Legal:** Compliance requirements around calorie labelling on menus, food safety standards, and employment laws add ongoing compliance obligations to store operations.

Industry Competition (Porter's Five Forces)

The overall UK food-to-go sector surpassed £24 billion, characterized by the following competitive dynamics:

- **Threat of New Entrants (Low to Moderate):** Establishing a national retail chain requires significant capital expenditure, sophisticated supply chain infrastructure, and brand equity. However, localized artisan bakeries and independent cafes can enter regional markets with minimal initial friction.
- **Bargaining Power of Buyers (High):** Low customer switching costs and a high density of competing outlets mean consumers can easily choose alternative food-to-go providers. Retaining customer traffic relies on maintaining competitive pricing, product quality, and speed of service.
- **Bargaining Power of Suppliers (Moderate):** Key agricultural commodities (wheat, pork, dairy, energy) are subject to global price fluctuations. While individual suppliers have limited leverage over a buyer of Greggs' scale, broader commodity market shifts dictate baseline input costs.
- **Threat of Substitutes (High):** Supermarket meal deals, quick-service restaurant (QSR) chains (e.g., McDonald's), coffee shops (e.g., Costa Coffee), and home-prepared meals present readily accessible substitutes across all dayparts.
- **Competitive Rivalry (High):** Competition remains intense across price, convenience, and product range. Greggs continues to hold a leading position, commanding an 8.6% share of food-to-go market visits.

Internal Capabilities & Strategic Position (SWOT Analysis)

Category	Strategic Factors	Real-World Context & Data Points
Strengths	• Dominant Market Share & Brand Health • Scaled Distribution Network	• Fastest-growing FTG brand with an 8.6% visit share. • Over 2,730 estate shops supported by new distribution hubs in Derby and Kettering.

Category	Strategic Factors	Real-World Context & Data Points
	Digital Loyalty Integration	App participation in 26.7% of company-managed shop transactions.
Weaknesses	- Exposure to Cost Inflation - High-Street Saturation - Tight Operating Margins	- Cost inflation impacted pre-tax profit margin (£171.9m PBT on £2.15bn sales). - High density of high-street units increases vulnerability to footfall shifts. - Low margin profile limits price absorption options.
Opportunities	- Off-High-Street Expansion - Evening Daypart & Delivery - Menu Innovation & Supermarket Retail	- Pipeline targeting 3,000+ UK shops via drive-thru, travel hubs, and 'bitesize' units. - Evening sales growing to 9.4% of shop trade. - Extended wholesale/retail lines (e.g., Tesco, Iceland).
Threats	Wage & Commodity Price Spikes	Ongoing labor cost inflation and raw input volatility.

Category	Strategic Factors	Real-World Context & Data Points
	• Intense Supermarket Competition • Shifting Consumer Health Tastes	• Value-driven supermarket meal deal promotions. • Long-term consumer shifts toward health-conscious dining options.

Strategic Synthesis

Greggs sits in a strong overall position, defined by solid market share and a tightly managed supply chain. At the same time, it has to contend with rising costs and shifting consumer habits. Its focus on value pricing and vertical integration gives it a real edge, making it an easy go-to for budget-conscious buyers during tough economic times.

To keep growing, however, Greggs needs to reduce its heavy reliance on traditional high streets and find ways to absorb higher operational costs. By leaning into its modern distribution facilities, expanding digital loyalty, and pushing into new locations (like drive-thru and travel hubs) alongside late-afternoon and evening trade, Greggs can maintain its market edge for the long run.

4. Strategic Growth Options and Proposed Strategy

To evaluate future growth pathways for Greggs plc, the **Ansoff Matrix** provides a structured framework for analysing options across existing and new products and markets.

Evaluation of Ansoff Growth Options

1. Market Penetration (Existing Products, Existing Markets) *Low Risk*

This strategy focuses on maximizing market share within current UK high-street and urban retail footprints.

- **Mechanisms:** Driving higher frequency of visits through the Greggs App loyalty program, expanding click-and-collect services, and extending trading hours into the evening daypart (currently accounting for ~9.4% of company-managed shop sales).
- **Evaluation:** Highly suitable and low risk as it leverages Greggs' established operational capabilities. However, high-street market saturation limits the long-term runway of relying solely on traditional store openings.

2. Market Development (Existing Products, New Markets) *Moderate Risk*

Market development involves introducing Greggs' core menu to new geographic segments or alternative location formats.

- **Mechanisms:** Expanding into non-traditional, off-high-street locations such as drive-thru, travel hubs (airports, railway stations), petrol forecourts, and retail parks. Additionally, international franchising offers a longer-term market development path.
- **Evaluation:** Strong growth potential. Capturing on-the-go commuters and drivers accesses under-served customer segments without cannibalizing high-street store sales.

3. Product Development (New Products, Existing Markets) *Moderate Risk*

Product development focuses on expanding the menu to capture shifting consumer preferences among existing foot fall.

- **Mechanisms:** Introducing premium health-conscious items, expanded plant-based and vegan alternatives, hot evening meal options, and specialty coffees.
- **Evaluation:** Essential for protecting market share against QSR competitors and supermarket meal deals. It increases average transaction value (ATV) but requires careful supply chain integration to protect low-cost efficiencies.

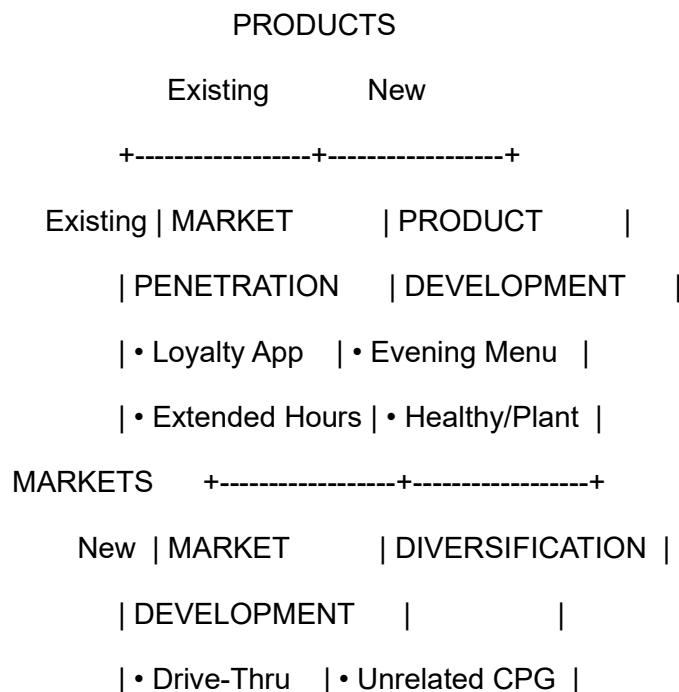
4. Diversification (New Products, New Markets) *High Risk*

Diversification entails entering entirely unfamiliar business domains or unproven international retail formats.

- **Mechanisms:** Establishing full-service sit-down restaurants or expanding aggressively into unrelated consumer packaged goods (CPG).
- **Evaluation:** Unsuitable at this stage. Diversification carries high capital risk and distracts from Greggs' core competency in high-speed, convenience-led food-to-go retail.

Proposed Strategy: Integrated Convenience Growth Strategy

Rather than relying on a single quadrant, Greggs should adopt an **Integrated Convenience Growth Strategy** that combines **Market Penetration**, **Market Development**, and selective **Product Development**.



| • Travel Hubs | (Avoid) |
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Strategic Pillars

1. Format & Location Diversification (Market Development):

Shift store expansion capital away from saturated high streets toward drive-thrus, roadside services, and travel hubs. This taps into impulse car-journey demand and secures prime convenience locations.

2. Digital Loyalty & Daypart Extension (Market Penetration):

Leverage the Greggs App to deliver targeted promotions during off-peak trade, particularly expanding late-afternoon and evening trade (4 PM – 9 PM) with hot food deals and delivery partnerships (Just Eat / Deliveroo).

3. Targeted Menu Innovation (Product Development):

Continuously refresh core lines with value-tier healthy options, seasonal cold drinks, and expanded plant-based ranges to appeal to health-conscious commuters without diluting the core value proposition.

This balanced approach enables Greggs to reach new customer segments, increase existing customer spend, and maximize store productivity while preserving its core cost-leadership advantage.

5. Strategy Evaluation (SAF Framework)

To ensure the proposed **Integrated Convenience Growth Strategy** is robust, realistic, and aligned with organizational objectives, it is evaluated using Johnson, Scholes, and Whittington's **Suitability, Feasibility, and Acceptability (SAF)** framework.

SAF FRAMEWORK

| • SUITABILITY |

	- Strategic Alignment	
	- Address Threats & Risks	
	• FEASIBILITY	
	- Resource Availability	
	- Operational Capability	
	• ACCEPTABILITY	
	- Financial Returns	
	- Stakeholder Expectations	

1. Suitability (Strategic Alignment)

The proposed strategy directly addresses key external pressures and internal capabilities identified in the strategic analysis:

- **Mitigating High-Street Saturation:** Expanding into drive-thrus, travel hubs, and petrol forecourts leverages growing on-the-go commuter demand while reducing reliance on declining high-street footfall.
- **Capturing Unlocked Dayparts:** Extending evening trading hours (4 PM – 9 PM) and enhancing digital ordering via the loyalty app addresses changing social habits and capitalizes on existing retail footprints during off-peak hours.
- **Meeting Consumer Trends:** Targeted menu innovation (healthier, plant-based, and hot food ranges) responds to shifting dietary tastes without compromising Greggs' defining value-for-money identity.

2. Feasibility (Resource & Capability Fit)

Greggs possesses the required financial, physical, and operational capabilities to execute this strategy successfully:

- **Financial Capacity:** Greggs maintains a strong balance sheet with robust cash generation and manageable debt levels, enabling sustained capital investment (£250m+ annually) in estate expansion and infrastructure.
- **Supply Chain Infrastructure:** Recent investments in automated national distribution hubs (e.g., Derby and Kettering) provide the logistics capacity required to support over 3,000 stores and handle expanded frozen and fresh inventory.
- **Digital Infrastructure:** The existing Greggs App and established third-party delivery partnerships (Just Eat and Deliveroo) provide a scalable foundation for digital loyalty growth and evening trade extension without requiring costly new technology builds.

Key Assumption: *It is assumed that localized planning permissions for drive-thru sites and roadside developments will be granted within standard timeframes, allowing estate expansion targets to remain on schedule.*

3. Acceptability (Stakeholder Alignment & Risk)

The strategy satisfies the return expectations and risk tolerances of primary stakeholders:

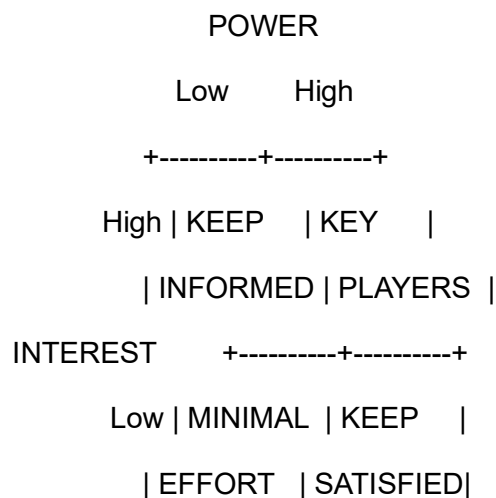
- **Shareholders & Investors:** Drive-thrus and digital channels typically deliver higher average transaction values (ATV) and stronger unit economics, driving return on capital employed (ROCE) and long-term earnings growth.
- **Customers:** Access to value-tier products across convenient new formats (drive-thrus, delivery) enhances customer convenience and satisfaction during ongoing cost-of-living pressures.

- **Franchise Partners:** Transport and forecourt partners (e.g., Euro Garages, Moto) benefit from adding a high-footfall, recognized brand to their retail sites, driving mutual revenue growth.
- **Risk Profile:** By focusing on incremental format diversification and core menu development rather than unproven international markets or high-risk diversification, the strategic risk remains well-managed.

The Integrated Convenience Growth Strategy passes all three SAF criteria, representing a realistic, high-return, and strategic pathway forward.

6. Stakeholder Analysis

Stakeholder Theory emphasizes that long-term strategic success depends on balancing the interests of all groups affected by an organization's actions. To effectively manage these relationships during the implementation of the Integrated Convenience Growth Strategy, stakeholders are categorized using **Mendelow's Power-Interest Matrix**.



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Stakeholder Mapping & Impact Assessment

1. Key Players (High Power, High Interest)

- **Shareholders & Institutional Investors:** Expect sustainable profit growth, strong returns on capital, and margin protection. The strategy impacts them positively through estate expansion and higher average transaction values (ATV), though initial capital expenditure must be transparently managed.
- **Executive Management & Board:** Responsible for strategic execution and financial performance. The plan aligns with their long-term growth ambitions while maintaining operational efficiency.

2. Keep Satisfied (High Power, Low Interest)

- **Franchise & Retail Partners (e.g., Moto, EG Group):** Hold significant influence over location access in petrol stations and travel hubs. The strategy provides them with a high-footfall brand, driving mutual commercial growth.
- **Government & Regulatory Bodies:** Regulate labor standards, nutritional labeling, and store planning. They are satisfied through ongoing compliance, healthy menu options, and sustainability commitments.

3. Keep Informed (Low Power, High Interest)

- **Store Employees & Operations Teams:** Highly impacted by extended evening trading hours and digital order fulfilment. Successful strategy execution requires clear communication, fair shift scheduling, and adequate operational training to maintain morale and service speed.
- **Customers:** Seek value, convenience, and product availability. Expanded drive-thru locations and enhanced digital app features directly improve their customer experience.

4. Minimal Effort (Low Power, Low Interest)

- **Local Communities:** Interested in localized footfall, traffic management around drive-thru and job creation.

Stakeholder Engagement Approach

Stakeholder Group	Strategy / Objective	Primary Engagement Channel	Frequency
Key Players	Manage Closely: Maintain buy-in for capital allocation	Investor presentations, annual reports, earnings calls	Quarterly / Annual
Keep Satisfied	Maintain Alignment: Secure prime locations and ensure compliance	Formal business reviews, joint steering meetings	Quarterly
Keep Informed	Two-Way Communication: Smooth operational transitions and build loyalty	Internal intranet, staff briefings, customer app feedback	Ongoing / Weekly
Minimal Effort	Monitor: Manage local impacts	Public planning notices, community updates	As needed

7. Implementation and Monitoring

To execute the **Integrated Convenience Growth Strategy**, Greggs plc must implement a phased, practical plan supported by clear performance metrics and realistic operational controls.

1. Phased Implementation Plan

The strategy will roll out across three core operational phases over the next 18 to 24 months:

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| IMPLEMENTATION ROADMAP |

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PHASE 1: Immediate Execution (Months 1–6)	
• Scale drive-thru and travel hub development pipeline	
• Launch initial evening menu expansion (hot food focus)	
PHASE 2: Digital & Operational Scale (Months 7–12)	
• Personalize app rewards and roll out targeted evening promos	
• Optimize logistics across new automated Derby & Kettering hubs	
PHASE 3: Refinement & Full Rollout (Months 13–24)	
• Review unit performance across non-traditional store formats	
• Complete nationwide rollout of health and plant-based options	

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- **Phase 1: Immediate Execution (Months 1–6):** Focus capital on expanding high-performing drive-thru and travel hub sites while introducing post-4 PM hot food options across high-footfall locations.
- **Phase 2: Digital & Operational Scale (Months 7–12):** Use the Greggs App to deliver targeted evening promotions and drive repeat visits, while streamlining stock management through automated distribution centers in Derby and Kettering.
- **Phase 3: Refinement & Full Rollout (Months 13–24):** Evaluate profitability across new store formats, adjust product offerings based on sales data, and embed late-afternoon trading routines into standard store operations.

2. Key Performance Indicators (KPIs)

Progress will be tracked using specific, measurable benchmarks:

Strategic Focus	Objective	Key Performance Indicator (KPI)	Target Benchmark
Estate Expansion	Grow non-traditional locations	Net new drive-thru and travel hub openings	140–160 net new stores/year
Daypart Growth	Expand evening sales	Post-4 PM share of company-managed sales	Increase from 9.4% to >15.0%
Digital Engagement	Increase customer loyalty	Greggs App participation in total store transactions	Increase from 26.7% to >35.0%
Cost Management	Protect operating margins	Operating profit margin retention amid inflation	Maintain margins above 8.0–9.0%

3. Operational Constraints & Risk Management

- Wage and Supply Cost Inflation:** Rising operational costs can squeeze profit margins. *Mitigation:* Supply chain automation at national distribution hubs will help offset wage increases and protect unit margins.
- Planning and Site Delays:** Securing drive-thru locations can face local planning bottlenecks. *Mitigation:* Partner with established roadside operators (e.g., Moto, EG Group) where planning and site infrastructure are already in place.
- Staffing and Shift Changes:** Extending evening hours can put pressure on store teams. *Mitigation:* Implement flexible shift patterns, comprehensive training, and clear incentives to protect employee morale and retention.

8. Conclusion

- This report highlights Greggs plc's strong market position as a value-driven food-to-go leader, built on a robust brand, an extensive estate, and an efficient supply chain. However, maintaining growth requires navigating persistent cost inflation, changing health preferences, and high-street saturation.

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- The recommended **Integrated Convenience Growth Strategy** directly addresses these challenges. By shifting expansion toward drive-thru and travel hubs, extending evening trade through digital loyalty, and continuously updating menu options, Greggs can reach new customer segments without compromising its core value identity.
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- Evaluated through the SAF framework, the strategy is well-aligned with Greggs' strengths, operationally feasible, and acceptable to key stakeholders. Supported by clear KPIs and careful risk management, this balanced approach ensures Greggs can protect its profit margins, enhance customer lifetime value, and secure long-term market leadership in an increasingly competitive retail landscape.
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